

Ron Bloom '77
relishes big
challenges.
Saving U.S.
manufacturing
tops them all.

Ron Bloom's makes the trip from work in Washington, D.C., to family in Pittsburgh in his Ford Mustang.

TOUGH NEGOTIATOR

BY LINDSEY LAYTON '86

PHOTOGRAPHY BY THOMAS ALTANY
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At the end of a long marble corridor in the basement of the U.S. Treasury Building, Ron Bloom '77 sits alone in an office, trying to save American manufacturing.

It's a Herculean task—the U.S. has lost millions of manufacturing jobs in recent years, as scores of American businesses moved overseas to take advantage of cheap foreign labor. For most people, the job of trying to reverse a 50-year-old trend and save a shrinking segment of the economy is so complex, it would be paralyzing.

But for Bloom, it's the ultimate challenge in a career defined by finding creative solutions to perplexing problems. "It was irresistible," he said. "And I have enormous doubts because this is really hard. But what we do is going to be more consequential to America over the next 50 years than anything and the government has to play a role. The economy is not going to fix itself."

Washington is filled with people who stream into the nation's capital after college and build their lives around government. They grow conversant in politics and policy. Some build careers within bureaucracies; others wash in and out of power with the changes in administrations.

Ron Bloom isn't one of them.

Bloom, 54, came to Washington in February 2008 to answer an urgent call from the Obama administration. General Motors and Chrysler LLC were on the verge of collapse; their failures would place catastrophic pressure on an economy already mired in recession. An auto task force, staffed by about a dozen men and women, had only a short window to try to save the industry. It was a controversial mission. Over six intense

months, the task force rushed the Detroit automakers through bankruptcy and set the terms for their restructuring, using the leverage of just over \$60 billion in federal loans and investments.

In title, Bloom was the senior adviser on the auto industry to Treasury Secretary Timothy F. Geithner. But in practice, he became the dealmaker, playing a key role in extracting concessions from Chrysler, GM, and their lenders and other creditors as well as the United Auto Workers.

"In the course of the Chrysler negotiations, Ron maneuvered so that he was the fulcrum of it all," said Matthew Feldman, the task force's lead bankruptcy attorney who has since resumed private practice in New York. "There were a lot of counterparties—United Auto Workers, Chrysler, the Canadians, GMAC—and they all sort of felt like when they hit a wall in bilateral relations, they could go to Ron and he would find a workaround. Without him, I don't think the Chrysler negotiations would have happened. People naturally looked to him as the person who can solve problems."

It's no accident that all the players—the unions, the companies and the investors—felt that Bloom could understand their perspective.

He has worked as both a union strategist and a Wall Street investment banker. He has been immersed in both sides of the capitalist system—representing corporations on some deals, and blue-collar workers on others. He is as comfortable inside a boardroom as he is on a shop floor.

"He's taken the time to really learn about the intersection between the world of finance, business, and labor," said Arnie Alpert '77, a Wesleyan roommate who works for the American Friends Service Committee in New Hampshire. "There are plenty of people in the labor unions who understand economics but don't understand the work of Wall Street. And virtually none of the people on Wall Street understand what is in the interests of working people. There really are very few who have put those pieces together."

The hallmark of Bloom's dealmaking is balanced sacrifice—the idea that all parties share the pain and hold a stake in the out-

come in proportion to their contribution. He described it as “dentist chair bargaining” in a 2006 speech, using terms not likely to be found in a Harvard Business School case study. “For those of you not familiar with this approach,” Bloom said, “it is inspired by the story of the man who walks into his dentist’s office, grabs the dentist by the balls and says, ‘Now, let’s not hurt each other.’”

At the negotiating table, Bloom tends to give the other side what it wants early on and then slowly win it back, Feldman said. “Ron will sit for hours and hours while other people kind of run out of steam,” he said. “And he’ll concede something early on and then keep working on it in his mind, and he knows he’ll get it back at some point. Maybe he’ll take it back and give something else. But he never lets on what he really wants until he gets it back.”

Work days for the task force started around 7 a.m. and ended at midnight or later. It was an extreme tour of duty, and the members got to know each other well.

“Ron’s wife cuts his hair and let me tell you, she does a terrible job,” Feldman said. “And Ron is not a good-looking guy to begin with. I think part of his negotiation tactic is to scare the other side with his haircuts. Every two weeks, we would wait for the morning meeting to see what Ron’s hair looked like.”

When Steve Rattner, the New York financier who ran the task force, stepped down in July, Bloom took over as the senior official. By then, the work was beginning to wind down. On Labor Day, Obama announced a new role for Bloom: he was to develop policy and a strategic plan to revitalize manufacturing.

It is a job for which Bloom has spent a lifetime preparing.

Growing up in Swarthmore, Pennsylvania, Bloom’s childhood home hummed with progressive politics—an aunt was a leader of a teachers’ union; a great-uncle was active in the Hebrew Bakers’ Union. His father, Joel, was director of the science museum and planetarium at the Franklin Institute in Philadelphia. His mother, Paula, was a social worker and a teacher.

“His family was a little unusual,” said John Roxby ’77, who also grew up in Swarth-

more and befriended Bloom in first grade. “They were very talkative and outgoing, one of the few Jewish families in Swarthmore, too. Ron was always a talker. He loved to discuss and wrestle with ideas.”

John Roxby’s father was a proud Wesleyan alumnus, and he got Bloom interested in the university. “It was pretty much serendipity,” said Bloom, who ended up enrolling, along with Roxby.

As a freshman, Bloom quickly fell into a tight social circle centered on Clark Hall. The small band of men and women would remain close all four years and beyond. Late into the night, they debated the way life was organized, drilling down deep into questions about social, economic, and political justice. “There was a lot of discussion about capitalism and alternatives,” Alpert said. “And if you look at the trajectory of Ron’s life, you could say that is where he focused his attention. How does the system operate? Who benefits from it? How can it be altered? How deep do the alterations need to go?”

While Bloom grew up discussing ideas, Wesleyan inspired him to act, he said.

To show solidarity with farm workers trying to win higher wages from grape growers, Bloom visited a Middletown supermarket on Saturday mornings to try to ask the owners to remove grapes from the shelves as part of a national boycott organized by Cesar Chavez and the United Farm Workers. “It was really my first exposure to action,” Bloom said. “Wesleyan taught me that the world is open to people trying to make it a better place.”

Still, he was pragmatic.

“He was a little more analytical, a little less starry-eyed than some people,” said Donald P. Spencer ’77, another friend. A big issue at the time was the anti-nuclear movement, Spencer recalled. “As opposed to instantly jumping on it—‘Nukes are bad, I’m against them’—Ron read a paper by an organization of nuclear scientists and physics professors, and they all agreed that nuclear power is too dangerous on many levels. Ron made a very reasoned argument, looking at evidence and based on the writings of people who most knew what they were talking about.”

Bloom liked order. “He kept his books in size order on a shelf,” said Roxby, who lived

with Bloom their junior and senior years. “One time he went into a friend of mine’s room in Clark Hall and rearranged that person’s books. He was very good to live with because he kept track of things. And he was very cheap. We ate a lot of peanut butter. One of the first meals we cooked together was tuna noodle casserole for 69 cents.”

One of Bloom’s favorite classes was taught by Bruce Greenwald, the conservative economist who now teaches at Columbia Business School, who has argued that the United States should transition away from manufacturing. “He challenged us to think,” Bloom said. “The great thing about Wesleyan was that there wasn’t a single way to do things. There was a good variety of ideas and none were particularly dominant. It was all these little villages. And the little villages got along. It was a very nurturing place.”

After graduation, Bloom moved to Boston where he became an apprentice at the Jewish Labor Committee, which was involved in causes that ranged from housing to school desegregation to immigrant rights. Soon after, an official at the Service Employees International Union offered Bloom a job as a researcher. “He said, ‘You have a loud mouth, why don’t you come work for us?’” Bloom recalled.

It was clear to Bloom that unions were outgunned at the negotiating table. “No one in the union movement had business training,” Bloom said. “Unions needed to compete in the realm of ideas with companies, as opposed to pounding on the table saying ‘I want more, I want more,’” he said.

To understand the other side, Bloom enrolled in Harvard Business School. One of his first lessons centered on the Weirton Steel Corp., a West Virginia company that was poised to shut down until its workers came up with the money to buy it. The idea was a revelation to Bloom.

Eugene Keilin, the banker who engineered the Weirton deal, was at the investment bank, Lazard Frères & Co. With his newly inked M.B.A., Bloom went to work at Lazard Frères in 1985, where he sought out Keilin. They worked on corporate mergers and acquisitions as well as union-driven restructurings.

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the same as it is now, 20 years later,” said Keilin, who is well known for helping to rescue New York City from bankruptcy in the 1970s. “He was interested in basic manufacturing and the employees whose lot was tied up with what was obviously a shrinking part of the economy. And he was interested in finding ways to improve their condition.”

Bloom and Keilin left Lazard Frères in 1990 to form their own boutique firm that specialized in saving troubled companies, often through employee buyouts. One of their earliest deals was the Algoma Steel mill in Canada, which had gone bankrupt. “If there had been a place you could bet on the outcome, the odds were overwhelming that the place was going to be liquidated,” Keilin said.

The United Steelworkers International hired Keilin and Bloom, who convinced the company and its creditors that it was not in their financial interests to shutter Algoma. Bloom pushed through a deal in which the workers took a 20 percent pay cut but won an ownership stake, making Algoma the largest worker-owned company in North America. Several years later, the union negotiated away its ownership share. “Algoma Steel is surviving today and is one of the most productive steel mills in North America,” said Leo Gerard, president of United Steelworkers International, who was a district director for the union at the time and got to know Bloom well.

In 1996, Bloom walked away from his lucrative boutique firm to work for the Steelworkers.

“It was clear from the beginning that his interests were much more in line with the interests of the union than the investment bank,” said Keilin, who remains a good friend.

Bloom’s tenure with the Steelworkers coincided with the collapse of the steel in-

dustry, and he helped the union negotiate its way through almost 50 bankruptcies, Gerard said. He credited Bloom with helping to save thousands of jobs and retirement benefits for workers in the steel, rubber, aluminum, and paper industries. In most cases, the union agreed to tough concessions, which had to be sold to the rank and file.

“Ron had a unique ability to digest and understand corporate financial structure and be able to talk about that in terms a worker could understand,” Gerard said. “There was no convoluted, make-believe language.”

As Rattner was putting together the staff for the auto task force early last year, Bloom’s name repeatedly surfaced. “I was looking for the best available athlete, someone who has sheer talent at whatever he’s being asked to do,” said Rattner, who had briefly overlapped with Bloom at Lazard Frères. “Ron is a very capable guy I could imagine doing anything. He had very relevant experience, having gone through the steel restructuring.”

Bloom didn’t hesitate. “It was the easiest decision I’ve ever made,” he said.

But the personal sacrifice has been difficult. Bloom’s wife, Linda Silma, and their children, Jacob, 10, and Emma, 8, remain in Pittsburgh while Bloom commutes to Washington during the week, driving the numbing 300 miles each way on Mondays and Fridays. He had to replace his car midway in this first year and now makes the trip in a 2003 Mustang. He sleeps in an apartment two and a half blocks from his office in the Treasury Building, rolling back and forth in the monotonous rhythm of a Washington workaholic. He tries to talk to his children each day before school and every evening before they go to bed.

“Hello Miss Emma-Lou, are you feeling 8 years old today?” Bloom says on the phone

to his daughter the morning after her birthday in November. “OK, have a good day in school today. I love you.”

He listens as his wife fills him in on the domestic front. “Oy, gevalt,” he says into the phone. He looks momentarily deflated after hanging up. “This has been hard,” he says.

On a shelf behind his immaculate desk, Bloom keeps a cherished collection of Potato Heads. “The world is a very serious place,” he said. “But there are altogether too many people in this town who take themselves way too seriously. If you can’t giggle a little bit, you probably don’t have much perspective.”

He speaks in vague terms about his new assignment, shying away from specifics. “I’m working on developing a set of policies that will create a good field in which to grow manufacturing,” he said. “If I have some small impact on reinstituting the idea that we can make things in America, if I can bend the arc a little bit, then that will be worthwhile.”

There are no specific bargains to make, or deals to strike.

“His new task is both humongous and amorphous, which is a terrible situation,” Feldman said. “But I would never bet against Ron. He truly believes in the importance of manufacturing in this country. He has tremendous contacts and enormous energy and I think he will make a difference. I’m not sure how, but I think he will make a difference.”

Lyndsey Layton is a national staff writer for the Washington Post who wrote previously about U.S. Senator Michael Bennet ’87 for Wesleyan magazine.